The subcommittee met, pursuant to call, at 4:17 p.m., in Room 2172, Rayburn House Office Building, Hon. Andy Kim of California [member of the subcommittee] presiding.
Mr. Kim of New Jersey. [Presiding.] The Subcommittee on Asia, the Pacific, Central Asia, and Nonproliferation will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any point.

And all members will have five days to submit statements, extraneous material, questions for the record, subject to the length limitation in the rules.

To insert something into the record, please have your staff email the previously mentioned address or contact full committee staff.

Please keep your video functions on at all times, even when you are not recognized by the chair. Members are responsible for muting and unmuting themselves, and please remember to mute yourself after you finish speaking.

Consistent with remote committee proceedings of H.Res. 8, staff will only mute members and witnesses, as appropriate, when they are not under recognition, to eliminate background noise.

I see that we have a quorum.

And I will now recognize myself for opening remarks.

I would like to thank our witnesses for coming today before this subcommittee to discuss the ways forward on U.S. policy towards North Korea.

I would also like to thank the Asia, the Pacific, Central
Asia, and Nonproliferation staff for their help in preparing the hearing.

It is clear today that North Korea will remain a major regional and global concern for the United States foreign policy moving forward. Despite U.N. Security Council sanctions and international condemnation, North Korea has taken additional steps to further advance their nuclear weapons and ballistic missile programs. Kim Jong-un's regime has increased the pace and volume of missile tests over the last several years, including 15 do far this year.

On March 24, 2022, North Korea ended its self-imposed moratorium and launched an intercontinental ballistic missile, the first since 2017. Reports suggest that this weapon could hit the U.S. homeland. Pyongyang most recently tested a missile on May 7, 2022, firing a short-range submarine-launched ballistic missile off its east coast. I am also concerned by the new range of technologies that the DPRK is testing, including nuclear-capable tactical guided weapons, as well as missiles they claim have hypersonic capabilities. U.S. officials assess that North Korea could be ready to conduct its next nuclear test as early as this month.

As we assess the North's capabilities and military strength, it is an opportunity to also reassess the strengths of our own relationships in the region. I recently met with a South Korean
delegation, led by a Special Envoy of the new President, to discuss ways to take the relationship between our two nations to the next level. I had an excellent conversation with the delegation, alongside other Korean American Members of Congress, about enhancing the ties between the United States and South Korea; how to maintain our military alliance, and ways to expand economic ties.

With a change in the administration in South Korea also comes a range of policy differences, when it comes to how we look at North Korea. And I am looking forward to hearing from the panel we have before us today on how U.S. policy towards North Korea may be impacted by the new administration in South Korea and their strategies on engagement.

Our priority, first and foremost, must be to maintain peace on the Korean peninsula and to do all that we can to reduce the possibility of armed conflict. As the Kim regime continues to undermine global peace and stability with its provocations, the United States, South Korea, and other like-minded partners like Japan, must continue to closely coordinate to advance security in the region.

The DPRK is also continuing its malign actions when it comes to illicit markets. North Korea has been accused of crimes such as cyber attacks against banks, selling weapons, illicit drugs, counterfeiting cash, money laundering, and smuggling -- all of
which are believed to rake in hundreds of millions of dollars for the Kim regime.

The DPRK has continued efforts to evade multilateral sanctions and is increasingly using non-traditional means to broaden its illicit revenue streams.

North Korea has been responsible for a high number of high-profile cyber operations, and this is something that we know has been very much something that they have been building up those capabilities of.

There is far too much that we don't know about how North Korea operates in this space, but what we do know is that, in today's interconnected world where cryptocurrencies and blockchain technologies have become more mainstream, the malicious actors will have more opportunities to exploit these systems. The United States and its allies must continue to enforce strong sanctions and cut the Kim regime off from its line of access to illicit cash and end its abilities to fund criminal organizations in the Indo-Pacific.

I am looking forward to engaging with our panel here today to discuss how we orient our policy towards North Korea and how we should lean on our allies, our international institutions, and regional organizations to contain the North Korean threat moving forward.

I now want to yield 5 minutes to our ranking member for any
opening comments he may have.

Mr. Chabot. Thank you, Mr. Chairman.

And after two years of remote committee activity, it is great to be here together. I am sad that our true chairman, Mr. Bera, can't be here, but I am sure that you are going to do a tremendous job here this afternoon.

And we thank the witnesses for appearing here also in person, because we have got a lot of folks here virtually as well.

Let me begin by congratulating President Yoon on his inauguration earlier this week. He takes office at a time when he faces many issues domestically and renewed provocations from North Korea. We wish him well as he tackles these daunting challenges.

It is important here in Washington to remember that our posture toward North Korea is strongest when we present a unified front with Seoul. As we seek to face this threat together, we look forward to working with President Yoon's administration.

And I also want to mention that I appreciate his desire to deepen our alliances to address other regional and global challenges; most notably, the hegemonic ambitions of the Chinese Communist Party. After all, the U.S.-South Korea alliance is a linchpin for peace, security, and prosperity on the Korean peninsula and in the overall Indo-Pacific region. And such a move to broaden the alliance will reinforce the importance of
our relationship for years to come.

Today's hearing comes at an important time. Not only does South Korea have a new President, as I just mentioned, but Kim Jung-un has broken his self-imposed moratorium on long-range missile testing and shot off three short-range missiles just today. And he has stepped up these tests, as we have been focused on Vladimir Putin's illegal and unprovoked invasion of Ukraine.

Despite the war in Europe, we must not lose sight of Kim's provocations, which in normal times would likely have been front-page news. Let's face it, North Korea has bedeviled multiple American and Korean Presidents for decades now. I have been closely engaged in North Korean issues for a long time, particularly when I was chairman of this committee back in 2013 and 2014. And it seems that, no matter what we have tried, it is come to naught -- certainly, not very much.

Previous administrations, both Democratic and Republican, have worked out deals under which the Kim regime promised to make concessions on their nuclear programs in exchange for food or oil, or other things that they wanted. None of these deals ultimately worked because the North would, at best, half-heartedly implement them, and then, break them, and usually, in secret, eventually, throw them out altogether, or even brag about what they have done.

President Trump took a different approach, holding several
meetings with Kim Jung-un, and for his part, President Moon thought an end of war, the declaration would create momentum, only to be flatly ignored by the North. In the end, neither of these unorthodox approaches produced a breakthrough.

So, where do we go from here? I think the most important thing to remember is that peace comes through strength. Kim's provocations must be met with a firm response. There are several immediate steps we should take.

First, we should tighten sanctions enforcement, in my view. We should also resume joint military exercises with the South Koreans.

Further, we must work together to shore up the United States-Korea-Japan alliance.

And then, there is China. China doesn't have complete control over North Korea, but they do have a lot of leverage. We need to get China to use that leverage. There are several ways to at least try to do that.

Enforcing U.S. law means sanctioning China's financial institutions that do business with North Korea. That would most assuredly get their attention, but it is something that both Republican and Democratic administrations have been reluctant to do.

Or we could reopen talks about basing additional missile defense systems in Japan and South Korea, something China does
not want to see happen.

Going forward, we need to take a stronger, more unified, and more innovative approach. Sanctions are important, but by themselves, they have proven insufficient, especially since the Kim regime has been able to continue weapons development, despite its harsh, self-imposed COVID-19 economic restrictions.

It is time we think outside the box, not with rosy peace initiatives, but with something that will actually force Kim to the table.

So, I look forward to hearing from our witnesses on how we might do that and the next steps for the United States-South Korea relationship, as President Yoon takes office.

And again, we appreciate the witnesses here this afternoon and look forward to hearing from them and asking some questions.

With that, I yield back, Mr. Chairman.

Mr. Kim of New Jersey. Yes, thank you, Ranking Member.

I want to start by introducing our witnesses, and then, we will proceed to the statements.

I will start by introducing Dr. Sue Mi Terry, who is the Director of the Asia Program and Director of the Hyundai Motor-Korea Foundation Center for Korean History and Public Policy at the Woodrow Wilson International Center for Scholars.

Dr. Terry has had a distinguished career in intelligence, policymaking, and academia. She has served previously as a
Senior Analyst at the CIA, a Director on the NSC for Presidents Bush and Obama, and the Deputy National Intelligence Officer for East Asia at the National Intelligence Council.

Welcome.

Next, we also have Dr. John Park, who is the Director of the Korea Project at the Harvard Kennedy School Belfer Center for Science and International Affairs at Harvard University. He is an associate faculty member of the Korea Institute; faculty member of the Committee on Regional Studies, East Asia, and a faculty affiliate with the Project on Managing the Atom. He was previously a director at the U.S. Institute of Peace in Washington, D.C., where he worked closely with U.S. and Asian officials to convene Northeast Asia Track 1.5 projects.

Thanks so much for coming.

And Dr. Sung-Yoon Lee is the Kim Koo-Korea Foundation Professor of Korean Studies and assistant professor at The Fletcher School of Law and Diplomacy at Tufts University. He is also faculty associate at the Program on U.S.-Japan Relations, Weatherhead Center for International Affairs, Harvard University. He has published widely on the international politics of the Korean peninsula and Northeast Asia and is author of a book on Kim Yo-jong that will be released in January 2023.

Thank you for coming.

I thank all of our witnesses for being here, and will now
recognize each witness for 5 minutes.

And without objection, your prepared written statements will be made part of the record.

I will start by inviting Dr. Terry to give her testimony.

Over to you for 5 minutes.
STATEMENTS OF SUE MI TERRY, DIRECTOR, ASIA PROGRAM, WOODROW WILSON
INTERNATIONAL CENTER FOR SCHOLARS; JOHN S. PARK, DIRECTOR, THE
KOREA PROJECT, THE HARVARD KENNEDY SCHOOL BELFER CENTER FOR
SCIENCE AND INTERNATIONAL AFFAIRS, AND SUNG-YOON LEE, KIM
KOO-KOREA FOUNDATION PROFESSOR OF KOREAN STUDIES AND ASSISTANT
PROFESSOR, THE FLETCHER SCHOOL OF LAW AND DIPLOMACY, TUFTS
UNIVERSITY

STATEMENT OF SUE MI TERRY

Ms. Terry. Thank you. Chairman Andy Kim, Ranking Member
Chabot, and distinguished members of the committee, I am honored
to testify before you today.

I will just note that my testimony is my views alone and
does not represent views of the Wilson Center.

I have been following the North Korean issue my entire life
-- first, as a child growing up in North Korea. My entire paternal
side of the family came from North Korea. I grew up listening
to stories about North Korea and my grandparents longing for
unification one day.

And, of course, the last several decades, I have been
following the North Korean issue as an analyst, as a Korea watcher,
both in and outside of the government in intelligence and policy,
academia, and think tanks. So, I have looked at this North Korean
issue, North Korean problem, from a variety of different lenses
and from a variety of different posts.

I genuinely hope to appear before you one day, as Ranking Member Chabot mentioned, to say: here are some bold, innovative, outside-of-the-box steps that we can take to get North Korea to give up weapons of mass destruction and to get North Korea to stop abusing its population, to systematically abuse its population, and open its society and join the free world. But, unfortunately, this is not such a case today.

This is a problem without an obvious solution, and it is not an easy one. Of course, it does not mean that there is nothing we can do. In fact, there are steps that we can and we should take to reduce the threat that is posed by the Kim regime, as I lay out, also, in my written testimony.

But, before we talk about our policy options today, I would like to briefly spend a few minutes to give you an overview of where we are today with the North Korean nuclear program.

Since coming to power a decade ago, Kim Jung-un has gone further than his father and grandfather in building out his nuclear program. Kim has conducted four out of six nuclear tests and just over 130 missile tests, three ICBM tests in 2017, and more recently, on March 24th, and just today, three short-range ballistic missiles. In the past year, North Korea has tested a variety of different missiles -- all in an effort to perfect its own missile and deterrent capabilities; to diversify its
missile arsenal; to defeat American missile defenses, and to enhance its ability to strike the U.S. mainland with nuclear missiles -- making North Korea one of just three countries in the world, along with Russia and China, to possess this dangerous capability.

We can also expect nuclear tests soon in the near future, possibly a tactical nuclear weapon, based on recent satellite imagery showing continued construction work at the Punggye-ri Nuclear Test Site. I believe this is to be the case, even with the news today that came out, that North Korea finally admitted for the first time that it is battling COVID outbreaks since detecting the Omicron variant on May 8th. North Korea just tested ballistic missiles today, while admitting to a COVID outbreak.

Kim is developing tactical nuclear weapons intended for use against targets in South Korea or near the Korean peninsula, and is now threatening to launch a preemptive attack. Speaking at a military parade on April 25th, Kim warned that the North will use its nuclear weapons not just to prevent war, but even preemptively for a secondary purpose, if his country's interests are threatened. This statement comes after his sister, Kim Yo-jong, had already made similar threats about potential preemptive use, threatening that South Korea could face extermination.

So, what we should do, some analysts are calling for
Washington to extend another olive branch to Kim Jung-un again, but we cannot simply just give more lopsided concessions, which will likely result in North Korea pocketing the concessions while continue with the WMD program anyway.

Kim Jung-un is not interested in trading cash or economic incentives or economic development for nukes. And North Korea is not interested in returning to negotiations without going through another round of provocations or crisis and tests. This means any future dialog with the North will only have to come by hanging tough, for us to hang tough. This means we have to increase pressure on North Korea, while still leaving the door open to diplomacy.

We can ratchet up sanctions. We can talk more about this. We can enhance deterrence. We can force the trilateral intelligence and defense cooperation with Japan and South Korea. We can deploy more sophisticated U.S.-South Korean strike capabilities and more robust U.S. joint exercises.

In sum, while we are unlikely to be able to turn back the clock on North Korea's nuclear program, we can reduce the threat in the short term, while having a long-term strategy to help the North Korean people through public diplomacy and an information penetration campaign to spur internal domestic change in the North, risk reduction in the short term, Pyongyang sparing in the long term.
Thank you for this opportunity to present my testimony, and I look forward to the questions.

[The statement of Ms. Terry follows:]

********** COMMITTEE INSERT **********
Mr. Kim of New Jersey. Of course. No, thank you. That was very interesting.

And now, we will turn to Dr. Park for your testimony. You have got 5 minutes on the clock.

Thank you.
STATEMENT OF JOHN S. PARK

Mr. Park. Thank you very much.

Chairman Andy Kim, Ranking Member Chabot, members of the subcommittee, thank you for the opportunity to appear before you today.

My views are my own and don't reflect those of the Harvard Kennedy School.

I will be discussing four key questions, as requested by the subcommittee.

No. 1, what factor has been undermining the effectiveness of North Korea sanctions? Divergent U.S. and Chinese approaches to dealing with North Korea over the past 14 years have created significant maneuvering space for North Korea. This loophole space has been a major factor undermining the effectiveness of these sanctions.

For the United States, the dominant approach has been economic coercion using sanctions. For China, the dominant approach has been economic engagement using political ties between the Chinese Communist Party and its counterpart, the Workers' Party of Korea, to embed commercial networks inside of China. In this loophole space, North Korea, Incorporated, the regime's network of elite state trading companies, has thrived inside of the Chinese economy with no strings attached to
Another factor undermining sanctions is the regime's ongoing self-imposed national quarantine. With North Korea's official announcement just hours ago of a new emergency national lockout, the internal situation will become even more difficult. I will go into more detail during the question session with members.

No. 2, what is the rapidly emerging way in which North Korea has evaded sanctions? North Korea has gone virtual. North Korean cyber actors have increasingly targeted financial institutions and cryptocurrency exchanges. In doing so, they have expanded a recurring revenue stream for the regime, which has bolstered its ability to evade sanctions.

The cybersecurity community has characterized North Korean cyber actors as advanced persistent threats. A case in point is APT38, more commonly referred to as the Lazarus Group, which is, reportedly, led by North Korea's main intelligence agency that the United States and the U.N. have sanctioned. Lazarus Group has pivoted to highly lucrative cryptocurrency crimes. The U.N. panel of experts reported that the group's activities fund North Korea's WMD programs.

The scale of North Korea's cyber heist has grown significantly. According to an April 2022 report by Chainalysis, a blockchain analysis firm, Lazarus Group stole $620 million worth of cryptocurrency from the Ronin Network, a crypto service built
to support a gaming site.

No. 3, what areas should the United States prioritize to address North Korea's latest sanctions-evasion techniques? I join my colleagues Priscilla Moriuchi and Alex O'Neill, both affiliated with Harvard Kennedy School's Korea Project, and Jason Bartlett at the Center for a New American Security, in advocating greater cooperation among the country's law enforcement bodies.

Moriuchi emphasizes how, quote, "North Koreans understand criminality. They are connected through the internet with this criminal and gray underground world." End quote.

O'Neill observes how North Korean financially-motivated hackers often behave in cyberspace more like criminals than state actors.

Bartlett makes a compelling case for applying Treasury's Financial Crimes Enforcement Network to the crypto space to foster multinational law enforcement cooperation on blockchain-enabled financial crime. Doing so can reduce the space in which the North Korean cyber actors operate.

The preexisting authorities that law enforcement agencies possess are also better suited to efforts to shut down cyber criminals' activities. The difficulty of converting stolen cryptocurrency into fiat provides an opportunity for robust law enforcement cooperation.

No. 4, what can the United States get a realistic sanctions
policy? North Korea has recently endured far greater pressure than U.S. sanctions. Since January 2020, it has clamped down its economy, triggered by the regime's self-imposed quarantine to prevent the spread of COVID-19.

North Korea's track record in surviving this economic turmoil raises serious doubts about depending solely on sanctions as an economic pressure tool. At present, what may be realistic for the United States is exploring an arrangement with North Korea for a nuclear and ballistic missile testing moratorium in exchange for an easing of key sanctions. Former U.S. negotiators who dealt with the North Koreans note that this arrangement could meet the near-term national interests of the two countries.

For the United States, the moratorium halts one aspect of North Korea's advancement of its nuclear arsenal and addresses the thorny issue of verification. In-country inspections are not required, as the moratorium itself would be an objective indicator.

For North Korea, sanctions easing in key areas could provide a dedicated relief valve for members of the 1 percent and the 99 percent. The continuation of the moratorium would pair with the continuation of selected sanctions easing, and vice versa. Conversely, the end of one would result in the end of the other. This potential snapback feature could help both sides stay on track.
In short, a small deal could lead to a larger deal. An unconstrained North Korean testing and development program, as we see today, reduces options for a feasible negotiated arrangement in the future.

In conclusion, the North Korean nuclear issue has mutated and no longer fits into past policy molds that rely on sanctions. The United States needs to recognize that North Korea under Kim Jung-un has become highly resilient to the core U.S. policy tool of sanctions. There is a way forward on U.S.–North Korea policy, but the space for it is dwindling quickly.

Thank you.

[The statement of Mr. Park follows:]

********** COMMITTEE INSERT **********
Mr. Kim of New Jersey. Thank you. Thank you for your testimony there.

Dr. Lee, over to you, 5 minutes.
STATEMENT OF SUNG-YOON LEE

Mr. Lee. Thank you very much, Chairman Kim, Ranking Member Chabot.

Congressman Perry, I had the pleasure of meeting you in Orlando a few months ago with members of KPAC Korea and CPAC seated behind me.

I am honored to be here and to have this opportunity to present my views on North Korea's growing lethality.

As Dr. Terry mentioned, Kim Jong-un convened a Politburo meeting today, local time, May 12th, before ordering the blast of three missiles at approximately 6:30 p.m. And at the meeting, Kim Jong-un acknowledged the rapid spread of COVID in the capital city in Pyongyang, and he ordered the lockdown of every city and county and to replace the preexisting so-called state epidemic prevention regime with a new, quote, "maximum emergency epidemic prevention system," end quote.

What does that mean? It means we are watching, unfortunately, tragically, the very early stage of rapid and pervasive spread of human misery, untold suffering on the part of millions of North Koreans as they fall ill, as they die, as famine-like conditions return. The true scale and nature of this tragedy unfolding before our eyes will not become evident for the next several weeks, or months even, but it is happening.
The right thing to do is for the United States and its allies and the United Nations and all self-respecting nations of the world to put pressure on Kim Jung-un to receive humanitarian aid, medical aid. For the record, I call on every nation of the world to provide North Korea with medical aid, including vaccines. If he refuses, then that is on him.

In recent months, North Korea has made several specific nuclear threats against, principally, South Korea, but, by extension, anyone who dares to, quote, "violate the fundamental interests of the state," of the North Korean state. Kim Jung-un said this at the military parade on April 25th.

And even before that, Kim Yo-jong, his influential sister, in a statement on April 4th, said that, if South Korea dares to preemptively attack North Korea's missile site, then South Korea will be visited upon with, quote, "a miserable fate little short of total destruction and ruin," and "This is not just a threat."

I observe here the kin siblings taking a page out of Vladimir Putin's playbook and trying to normalize, routinize nuclear threats -- threats of preemptive nuclear attack -- make that the new norm; compel South Korea and its supporter, the United States, to come to tacitly accept this new reality.

This is a dangerous game that North Korea is playing. We have seen, as Chairman Kim mentioned, an ICBM test in March and probably other ICBM component tests as well this year. And there
has not been a single U.N. Security Council meeting, let alone a resolution. This is a very new and dangerous world we are living in in this year 2022.

I ask everyone to consider that North Korea has played this game -- this recurring pattern of provocations, escalations, and then, return to negotiations -- only to reap even more concessions over the past 30 years. The United States, in the early stage of this encounter, offered North Korea, gave North Korea, over $1.3 billion worth of food and fuel assistance between 1995 to 2008. North Korea pocketed the aid and continued to develop, to enlarge its nuclear arsenal. South Korea has given over $10 billion in aid, much of that in cash, between 2000 and 2008. This is clearly not the right approach.

U.S. sanctions against North Korea have only become smart as of 2016, as have U.N. sanctions against North Korea in the form of targeted financial sanctions. But, still, to this day, U.S. sanctions against North Korea are too few and too weak in kind, measured against U.S. sanctions against Venezuela, Iran, Syria. They pale in comparison.

There is a lot more that the U.S. Government can and should do. So, I call, respectfully, on the United States Government to put in more effort -- and it is laborious work; I get it -- but to do more to enforce existing sanctions against North Korea, and, also, to fine violators, third-party countries that, in
flagrant violation of U.N. Security Council resolutions and U.S.
sanctions laws, continue to do illicit financial transactions
with North Korea.

Thank you.

[The statement of Mr. Lee follows:]

********** COMMITTEE INSERT **********
Mr. Kim of New Jersey. Thank you all for your testimonies.

We are now going to be moving over to the question period. I will now be recognizing members for 5 minutes each. And pursuant to House rules, all time yielded is for the purpose of questioning our witnesses.

Because of the virtual format of this hearing, I will recognize members by committee seniority, alternating between Democrats and Republicans. If you miss your turn, please let our staff know and we will circle back to you. If you seek recognition, you must unmute your microphone and address the chair verbally.

I will start by recognizing myself.

Dr. Lee, I wanted to just pick up on some of what you are talking about, but also bring it into the context of this week, as well as the coming weeks. This is a very important inflection point with the new President in South Korea, as well as President Biden's impending trip out to Asia, out to Korea.

So, I guess I wanted to just hear from you just what we should be expecting from the new President, what we should expect in terms of how that may or may not shift South Korea's posture to the North. And also, I want to just ask you, what advice would you give President Biden ahead of this trip? What would you recommend to him or want him to know about before he goes?

Mr. Lee. Thank you very much.
Well, President Biden and, also, the new South Korean administration are on the same page in emphasizing human rights, giving greater weight to human rights and calling North Korea out on its manifold, multifaceted crimes against humanity; whereas, the previous South Korean administration was less enthusiastic on this very important topic.

I think President Yoon, in his summit meeting, the first meeting with President Biden in Seoul on May 21st, will try to reassure President Biden that the new South Korean government will be more proactive in international diplomacy, in being globally engaged in world affairs beyond the Korean peninsula.

In fact, Mr. Yoon wrote in his foreign affairs article of February 8th just that he, if elected, will pursue no longer the, quote, "parochial policy of being too Korea-centered, peninsula-centered, and engage in the world."

And I take that to mean a greater willingness to participate in multilateral security dialog, like the Quad, Quadrilateral Security Dialogue. I take that to mean probably being more proactive, being engaged in maintaining freedom of navigations in the South China Sea; also perhaps, in the Taiwan Strait and the East China Sea as well. This is, I would say, a welcomed development, and that the United States should encourage South Korea to be more supportive and be more fully engaged.

What will the South Koreans, then, expect in return? There
is always a bit of give-and-take, of course, even among allies. I think the United States, if South Korea floats the notion of bringing back U.S. tactical nuclear weapons to the peninsula, which has been broached unofficially before, or if South Koreans broach the topic of bringing back on a rotational basis strategic assets to the peninsula and its proximity -- meaning east of the peninsula, mainly Japan -- rather than flat-out saying, "No, that is beyond question. We will not consider it" -- I am not saying that the Biden administration will take that position -- but maintaining strategic ambiguity vis-a-vis North Korea, vis-a-vis China, not ruling it out, perhaps might be a good course of action for now. Dangling that possibility, sending a message to North Korea that, if you continue to threaten to use nuclear weapons against our key ally South Korea, we will shoot back, that message, I think, needs to be made clearly.

So, in tandem with greater emphasis on human rights, increasing funding for various groups, like Voice of America and Radio Free Asia that transmit information into North Korea, and helping NGOs, and also, appointing the U.S. Special Envoy for Human Rights right away, I think there is an opportunity for both South Korea and the United States to put more pressure on North Korea; and also, to do the right thing in calling North Korea out on its various crimes.

Mr. Kim of New Jersey. And in the broader context here,
Dr. Terry, I wanted to turn to you here. I mean, we are seeing this new administration come into South Korea, President Biden's trip -- all in this context of the tests that North Korea has been doing, the increased provocation on there.

I wanted to ask what you make of this. What kind of signal is North Korea trying to send? And is the timing very much tied in with these other changes we are seeing in South Korea?

Ms. Terry. I think Kim Jung-un is trying to send -- well, he made it very clear. One thing about the North Koreans, they are very good at telling us what they are going to do. So, Kim Jung-un has already said that he is going to invest and double-down on his nuclear program.

And even though he is going through very difficult internal challenges -- because North Korea was the first country to close the border with China in January of 2020, and that closure had significant economic consequences, and now, with the COVID situation, which I hope we get a chance to talk more about because I think it is quite serious -- the external environment is ripe, is good for North Korea in terms of conducting more tests and conducting more provocations, including nuclear tests.

Russia's invasion of Ukraine, which only reinforces Kim Jung-un's thinking in terms of the need to hold onto nuclear weapons, because he drew all the wrong lessons from Russia's invasion of Ukraine. Just like Saddam Hussein when you look at
Iraq and the Libya situation, the message that Kim Jung-un got is you have to hold onto nuclear weapons for deterrence. So, that is a wrong message.

But, again, as Dr. Lee mentioned in his opening remarks, the second implication of Russia's invasion of Ukraine is this notion of preemptive use, again, taking a page out of Putin's playbook, just kind of talking about the preemptive use of nuclear weapons, of tactical nuclear weapons.

So, I don't believe there is going to be -- we can't get to the dialog stage. We cannot get to the negotiation stage --

Mr. Kim of New Jersey. Yes.

Ms. Terry. -- without, first, going through the crisis, without, first, going through the -- so, I think this year there is not much we can do at all in terms of trying to get North Korea, to bring back to negotiation.

Mr. Kim of New Jersey. Okay.

Ms. Terry. We have to go through a crisis first.

Mr. Kim of New Jersey. Thank you for your perspective there.

I am going to turn it over to the ranking member for his question line.

Over to you.

Mr. Chabot. Thank you, Mr. Chairman.

Dr. Lee, I had said in my opening statement that I was hoping that perhaps we could maybe think outside the box, because not
a whole lot has really worked very well with North Korea over
time, maybe come up with new ways to increase the pressure on
the Kim regime. Dr. Terry had mentioned she has been looking
at that, too, but, unfortunately, didn't bring any of those great
answers here today or thoughts about that.

I was wondering, are there any tools that we have maybe in
our arsenal that we have failed to use relative to sanctions or
anything else that you think might have a chance of working?

Mr. Lee. Thank you, Mr. Chabot.

I think many people take the view, perhaps without basis,
that U.S. sanctions against North Korea have always been very
tough or have even maxed-out. Such statements have been made
repeatedly by academics, journalists, and politicians over the
years.

It is not entirely true. U.S. sanctions against North Korea
became meaningful only as of 2016, when this honorable Congress
passed the very first North Korea-specific sanctions legislation,
and which President Obama signed into law. And then, there have
been successive tough sanctions bills passed by Congress since.

The problem is implementation and the problem is
implementing/enforcing sanctions over prolonged time, sustained
pressure. And that pressure, which built up quite strongly
throughout 2016 and 2017, when North Korea was on that bluster
barrage for two full years -- marked by three nuclear tests since
January 2016 and capped in November 2017 by a very powerful ICBM test -- yes, the United States galvanized the world to do its part to put diplomatic national pressure on North Korea, but that effort has largely fizzled.

And as I alluded to earlier, U.S. sanctions, the number of North Korean designations by the United States is only in the low 400s, about 425 North Korean designations. There are at least a hundred more Venezuela designations, probably almost double North Korea designations. That is, in terms of Syria designations, close to 800, and then, there are over 2,000 Iran designations.

And also, in the types of designations, we have not seen anything close to what the Obama administration vigorously pursued in sanctioning Iran and Cuba and Syria between 2009 and 2015. In trying to get Iran back to the negotiating table, the U.S. Government went after actors, normal corporations, reputable banks of allied nations as well, hitting them with big fines.

For example, ING was fined by the United States for violations of Iran and Cuba sanctions $619 million; Standard Chartered, $674 million; Commerce Bank, $1.4 billion; HSBC, $1.9 billion; Barclays, $300 million; Bank of Tokyo --

Mr. Chabot. Doctor, I hate to cut you off there, but I want to get one more question in before my time expires here.

Mr. Chabot. Thank you for that comprehensive response
there. China obviously is the one country that has a pretty significant -- significantly more opportunity to put pressure on North Korea than anybody else does. They rely so much upon them.

And so they've got the leverage, but they've either refused or failed or felt that it was in their best interest not to use.

I think they, for one thing, they like to keep us off balance. And you can always play the North Korea card.

And I know this question has been asked a million times, but any insight in how you can actually get China to get off the duff and do something, that maybe it's in their best interest to rein in that rogue state, even though they just don't do it?

Mr. Lee. Congressman Chabot, as you well know, China has some of the biggest banks in the world. Four of the ten biggest banks in the world are in China. And the U.S. has levied meaningful fines only on a handful of occasions against Chinese entities, and nothing on the scale of, say, the biggest bank in France, which was hit with a $9 billion fine.

So we know Chinese enterprises, state-owned enterprises, and banks continue in violation of UN and U.S. laws to launder, to facilitate North Korean financial transactions in the purchasing of illicit goods, weapons material.

I think the U.S. Government has been too reticent, looking at the bigger picture. That if we go after China there might
be financial repercussions. Well, perhaps so, but money really
does talk.

And in the past, we've seen these biggest banks, Construction
Bank, Agriculture Bank, Bank of China, all behave in different
ways from stated government policy, and even voluntarily sever
financial relations with designated North Korean entities. For
example in 2013, Foreign Trade Bank.

So why not try it? Why not -- why not ramp up pressure,
not only against North Korea, financial pressure, but also against
Chinese partners.

Mr. Chabot. Personally that seems perfectly reasonable to
me. So thank you very much, and I yield back, Mr. Chairman.

Mr. Kim of New Jersey. Thank you, Ranking Member.

We're going to now turn it over to my colleague, Congressman
Sherman. Over to you for five minutes.

Mr. Sherman. For 26 years, I've been coming to this room.
This is Groundhog Day. We're always told it is -- that is
unacceptable for North Korea to have nuclear weapons. And then
we pound the table, and then we talk about sanctions, none of
which are effective.

Some 20-some years ago, I was here when were discussing
whether to have a non-aggression with North Korea. That was
rejected by the United States because Vice President Cheney was
at the time pretty much running our foreign policy, envisioned
an American invasion of North Korea being successful.

Given that history plus Lybia, plus Iraq, plus Ukraine, I can't imagine that Kim is going to go without any nuclear weapons at all. If for 26 years your policy has failed, you need to have a bigger hammer and a smaller nail, because we haven't come close.

We need to do more, and we need to expect less and settle for less. And less would be if Kim retained a small number of nuclear weapons under very strict monitoring, enough to deter an invasion that at least a long-ago Vice President imagined.

The ranking member points out China is the key here, because even if we had regime-threatening sanctions on North Korea, and Dr. Lee, thank you for suggesting more of things that we should be doing, China wants to keep that regime in power and can do so economically.

Unless we do -- and we can sanction their individual banks, but they could always just have their smaller banks who don't do business with the United States be their sole economic link to North Korea. So what we need to do is propose a tariff on all Chinese goods if the Chinese don't change their behavior.

We could also point out to China we have been incredibly successful in preventing our East Asian allies from developing nuclear weapons, Japan, North -- South Korea, and Taipai do not have nuclear weapons. That's pretty good work.

They have one ally in the area, that ally is producing nuclear
weapons and threatening the United States. There is a lack of justice and symmetry in that.

We could say that our policy's been a failure, because North Korea every day becomes more dangerous to American people. But in a way, it's been a complete success because it's met the needs of academics, politicians, and bureaucrats. Because thinking outside the box, accepting less or doing more, that's difficult.

Coming to this room and saying North Korea should not have nuclear weapons, it's got to be easy because I've seen it done for 26 years.

As to crypto currency, I'll point out that the -- that on the one hand North Korea steals from the crypto world. On the other hand, I should point out that Virgil Griffith, Senior Researcher with the Ethereum Foundation, just pleaded guilty to providing advice to North Korea on how to use cryptocurrency to evade sanctions.

And as the second witness pointed out, the crypto has to be converted to fiat in order to be used. And that's because it's really not a currency. It's a meme that you invest in hoping to buy it for fewer dollars than you sell it for. If it ever became a currency, it would be -- you wouldn't have to create it -- to turn it into fiat.

My first question for the panel is North Korea already has more nuclear weapons than it needs to make any say in American
or South Korean know that we can't invade. They need money or
would like to have some.

What is the possibility that they sell one to Saudi Arabia, Iran, or some other -- or a terrorist organization? Dr. Terry.
Ms. Terry. North Korea is a serial proliferator. It has proliferated everything under the sun except --

Mr. Sherman. They haven't sold a full weapon --
Ms. Terry. Yes, I was about --

Mr. Sherman. They haven't sold fissile material
(Simultaneous speaking.). They were in Syria selling the
technology.

Ms. Terry. Right. But it has had ballistic missile cooperation with Syria, with Iran, with UAE, with Burma. It has built a nuclear reactor in Syria that the Israelis bombed.

So the point is I think nuclear proliferation risk, global proliferation risk, from North Korea is very serious. Because it has not yet sold nuclear and fissile material, but we know it has sold everything else.

And as economic situation gets very serious and the more cash-strapped the regime is, we cannot discount the possibility of a proliferation risk. And I think that is obviously the --

one of the most serious concerns.

Mr. Sherman. I would point out if we could limit them to 5, 10, 15 nuclear weapons, that risk goes down, but right now
they have more they need.

Can I sneak in one more question?

Mr. Kim of New Jersey. One more question.

Mr. Sherman. Why has North Korea not even sought to vaccinate its people? Does it have access to the Chinese vaccine and do they trust that vaccine? Or international organizations willing to provide the most advanced Western vaccines, do they trust those? Why no vaccinations?

Ms. Terry. They have -- North Korea is one of the two countries in the world, only two, Eritrea and North Korea, that has not vaccinated its people. And China offered three million doses of Sinovac vaccines that North Koreans declined. They have also declined two million doses of AstraZeneca.

So the Kim regime was very paranoid about potential side effects of these vaccines. They wanted --

Mr. Sherman. They watch Tucker Carlson in North Korea?

Ms. Terry. Perhaps, sir, perhaps. And but I think they wanted perhaps Pfizer or Moderna, but not, Chinese vaccines were not good enough for the Kim regime. And now there is an outbreak, the Kim regime has admitted. And this is a serious concern because we know that North Korea's healthcare infrastructure is nonexistent.

I'll just point out that Johns Hopkins --

Mr. Sherman. I believe my time is up.
Mr. Kim of New Jersey. Yeah, we're going to have to proceed here.

Mr. Sherman. Please add to the record. Thank you.

Mr. Kim of New Jersey. All right, we're going to turn it over to Congressman Perry. Over to you for your questions.

Mr. Perry. Thank you, Mr. Chairman.

Before I -- well, maybe I'll set the context here. So a couple days ago, a new president was sworn in. Today, North Korea, in I think what some would say is a response, launched three ballistic missiles. The president plans to visit later this month regarding the IPEF.

North Korea remains unwilling to talk to the United States or generally with South Korea in a constructive manner. Meanwhile, Russia and China remain opposed to any additional sanctions. That's -- that's kind of where I see at least the set of conditions that we're working on.

Something you just said I'm trying to put into place here for myself, Dr. Terry, is are you saying that any increased sanctions or economic pressure is going to potentially force North Korea to sell their fissile material? Is that what you just said?

I mean, are you advocating for less stringent sanctions because of the specter of -- explain that to me.

Ms. Terry. No, sir. I am advocating stronger sanctions
enforcement, as I wrote down in written testimony, expanded sanctions. I'm just pointing out there's a separate issue, that is one day North Korea, the possibility of North Korea proliferating is still there.

And then we have to then also adopt counterproliferation measures, deterrents and counterproliferation measures, in addition to sanctions. I'm not linking sanctions to --

Mr. Perry. Okay, because that --

Ms. Terry. Proliferation.

Mr. Perry. It seemed a little schizophrenic based on what I thought you said in the beginning, so I appreciate the clarification.

Ms. Terry. No, absolutely not.

Mr. Perry. Dr. Park, what appears to me the Biden Administration is doing is what I would consider the Obama go along to get along policy, this calibrated practical approach.

And maybe my good friend from California, you know, I think he wants to see something different. But asking -- giving more and asking for less, you know, maybe that -- maybe that's good for him, but I don't think it's good for the free world.

I -- ten seconds. (Simultaneous speaking.)

Mr. Sherman. I was not suggesting giving more. I was suggesting pounding harder.
Mr. Perry. Oh, well, I didn't hear that. But what I hear
is strongly worded statements coming from the United States and
minimum sanctions. And somehow that that's going to be -- that
that's going to be successful.

Russia and the PRC continue to support North Korea. And
if the Administration, to me, wants to take a strong stance, they
should enforce the sanctions and more. They could do more. But
the ones that were overwhelmingly approved by Congress include
secondary sanctions.

You talk about proposed sanction relief for the one percent
as well as the 99%. You talk about realistic sanctions policy,
without in-country inspections. I'm not a rocket scientist, I'll
admit that freely.

I fail to see the sense in allowing them to continue on their
good word, with the understanding that they don't have a good
word. They don't -- they've never earned any trust from anyone.

As well as the fact that the PRC and Russia are going to
continue to support them regardless because the United States
continues to not want to do or to refuse to do or not be willing
to do what needs to be done.

And I just want you to -- if you want to talk about the one
percent as well as the 99%, these realistic sanctions, and this
relief valve, I think, as you -- as you claim, a dedicated relief
valve, how that would work.

Mr. Park. Congressman, thank you so much for that question. I have to say first of all we deal with the tyranny of time, try to cram in as much as you can in five minutes. But thank you for your question because there's an important clarification elaboration.

So first off, the inability right now to do inspections on the ground, because frankly we don't know where all the sites are. And that is a big stumbling block if we ever get to something like a large deal, different components, dismantling, verification, and so forth.

A moratorium is something that is realistic. And if you look at it in terms of trying to broker some kind of deal, a small deal on a moratorium, that's one way to get the North Koreans to stop in terms of the further testing, the learning by doing and advancing their missile and their nuclear program.

The fact that they don't do the test in and of itself is the indicator, and that's one way to get around the hurdle and the difficulty of verification and boots on the ground. At some point in time we will need to do that, but right now it doesn't seem to be feasible.

So it's more along the lines of how can we verify something, and the moratorium in and of itself would be the verification.

The part about the pressure relief valve, I wanted to put
some context around that. The brutal reality right now is that we're dealing with competition with China. As I mentioned in my testimony, the Communist Party of China has made tremendous inroads with the Workers' Party of Korea. And that's institutional. That goes beyond just giving strategic aid here and there.

There's a whole backstory to that, but I were to give you the main bullet point, they're looking to shore up stability of a regime that they've very concerned about in terms of stability. And so with that, the constant concern that there's a tipping point, that this is a very fragile regime at the end of the day doing desperate things, the institution-building between two parties is still going on.

The final thing I'd mention is that with the pressure relief valve, what I mean by that is that right now there is the self-imposed quarantine. There are items that the North Koreans are seeking, and if there's a way to have that type of negotiation for the moratorium, that seems to be one way that we can outcompete the Chinese in particular items that the North Koreans are seeking.

But that is the basis of exploring further, and it is also in the realm of what is possible, given the current stakes. And frankly, there's not much going on.

Mr. Perry. Thank you, Mr. Chairman, I yield. But before
I do, I do not want to be on the record as not wanting to relieve the pressure.

Mr. Kim of New Jersey. Thank you. We're going to be proceeding on to our colleague, Congresswoman Titus. Over to you for five minutes.

Ms. Titus. Thank you, Mr. Chairman.

I'd like to ask Dr. Park this. Addressing North Korea's nuclear and missile threats I believe requires close cooperation between Washington, Seoul, and Tokyo.

And given the election of President Yoon, who said he'll work to mend kind of the frayed relations between South Korea and Japan, I wonder if you could recommend what steps both of those capitals should be making and how the U.S. can facilitate this relationship.

Mr. Park. Thank you very much for your question. I do believe right now with the new administration in Seoul, there's a possibility to have South Korea become more involved, specifically within the context of the Indo-Pacific.

And so with the quad and the different working groups and the different configurations there and the Yoon administration looking to be much more engaged regionally, internationally, I think within that multilateral context there is a pathway for Seoul and Tokyo to cooperate in a more robust fashion. But most importantly in a sustainable fashion that could go beyond any
given administration.

The direct bilateral has always been, you know, particularly prone to whoever is in the Blue House at any given time. And so this is an element where I do think the Yoon administration has that opportunity.

One quick I would mention here is that within this is also sustainable effort to keep up the pressure. And I think structurally that's important. Statements, some aspects have indicated are symbolic, those pressures really don't add up to much on the ground.

So I think institution-building, have this multilateral type of, you know, engagement of these four parties is going to be important, not only for the threats on the Korean peninsula, but in the region as well. Thank you.

Ms. Titus. Is there some kind of block of policies or issues you think might be a good starting point? Environment, climate change, for example?

Mr. Park. I think it's China. And to be blunt with you, it's the security of the supply chain as it relates to technology. This is something that also incorporates Taiwan. This is where South Korea is a natural partner.

And so with this dedicated supply chain and the best that we can do, it's going to require a lot of work. I think the South Korea's part of a multilateral effort in this part is actually
essential. And so we can't just rely on Taiwan and trying to engage TSMC, one company.

And so in this respect, I think there are the opportunities, the low-hanging fruit, if you will, but it is going to take this enmeshing in a multilateral structure.

Ms. Titus. You also mentioned in your written testimony that some of the outside information that has trickled into North Korea has had an impact in maybe changing some minds or fomenting some kinds of activities.

What can the U.S. do to help encourage that? Or you know, like the old, you know, Radio Free Europe or whatever, is there some modern way that we can get engaged in that and try to pump up the impact that it has?

Mr. Park. I believe that's an area that my colleague Dr. Lee has covered, so I'll turn it over to him for his response there.

Mr. Lee. Thank you, Congresswoman. Radio Free --

Ms. Titus. I'm sorry, you know, what, before you start, I misspoke. I thought that was you, Dr. Terry -- Dr. Park, but it was Dr. Terry who mentioned that in her written testimony. Maybe she'd comment.

Ms. Terry. I think there are a number of things that we can do. We need to work towards providing truthful and diverse content and messaging into North Korea. We know that more North
Koreans are watching foreign content despite regime's effort to crack down on and block information coming in.

We have some, you know, we have some surveys that says some 92% of folks who said that have already watched foreign DVD and so on. But providing diverse content.

But I think first of all, for the U.S. Government, it's very important for us to identify and empower the sort of elite personal entity. (inaudible) Center actually had a report that came out led by (inaudible), who did amazing job. We can also send you that report. But empowering some sort of elite entity to coordinate this information penetration effort.

And then also working with technology companies. There's a lot of -- we have not yet really collaborated with U.S. technology companies to find effective and creative ways to get information into North Korea. You know, and so on.

So there's a report that I would like to at least -- perhaps I can send it to you afterwards. Dr. Park also participated in that report.

But there are a number of things that we can do to really increase our efforts to disseminate information into North Korea.

[Whereupon, the above-entitled matter went off the record at 5:17 p.m.]

Ms. Titus. Well, thank you. I would like to receive that report. The committee I am sure would benefit from it.
Mr. Kim of New Jersey. Thank you.

Ms. Titus. Okay. Thank you, Mr. Chairman, and I will yield back.

Mr. Kim of New Jersey. Thank you. We are going to proceed on to Congresswoman Wagner. Over to you for 5 minutes.

Mrs. Wagner. Thank you, Mr. Chairman, and thank you to our witnesses for your time and expertise.

The Kim regime's reckless belligerence and inclination to escalate crises pose an immediate threat to global stability. I have been to the DMZ myself, and I saw firsthand the palpable tension in the region. Japan and South Korea, some of our strongest allies, are finding themselves in the cross hairs of North Korea's dangerous game of nuclear brinkmanship.

This is not just a regional problem. The world's most authoritarian regimes are growing evermore closely aligned, and more are displaying an unprecedented willingness to overtly act and attack global peace and stability. North Korea is watching our response to Russia's war in Ukraine, Iran's proliferation activities and support for terrorism, and China's efforts to undermine rule of law and American leadership.

In coordination with our allies, we must demonstrate that the democratic world is stronger than ever.

Dr. Lee, Russia's war on Ukraine has illuminated the degree to which authoritarian governments are now willing to cooperate.
You have spoken before the subcommittee about the importance of Russia in China's active participation in sanctions enforcement in reining in North Korea's nuclear ambitions.

Do you believe that China and Russia can no longer be counted on to enforce the sanctions regime against North Korea? And what is the path forward on sanctions implementation and enforcement?

Mr. Lee. Thank you, Congresswoman, for that question.

Back in 2005, the Department of the Treasury designated -- sanctioned a small bank in Macau called Banco Delta Asia. This designation occurred on September 15, 2005, 4 days before a joint statement was agreed upon within the six-party talks framework in Beijing.

This created confusion. Some charged that Treasury was interfering with progress on diplomacy undertaken by State. That is not true.

Well, this designation of a small Macanese bank caused an unexpected ripple. In that bank, North Korean accounts numbering over 50, about 52 North Korean accounts, in those accounts were approximately $25 million U.S. deposited, which Treasury thought was laundered, tainted money.

That caused a run on the bank. Deposit holders withdrew money. They did not want to come under the scrutiny of the Treasury Department, and that led to North Korea panicking. Kim Jong-il made an impromptu visit to China next January, and
according to open sources pleaded with President Hu at the time -- president. At this rate, we are going to collapse, and North Korea for the first time started to sell its gold reserves for cash.

Mrs. Wagner. Now, Dr. Lee, I appreciate this, and I -- but I am running out of time, so I am going to move on to another question here. I appreciate your perspective and anything more you can add to that.

Let me just say the new Yoon administration in South Korea appears interested in improving relations with Japan, which have been extremely tense for many years. Dr. Terry, how should the United States encourage genuine progress in South Korea-Japan relations, and what implications does the possibility of trilateral cooperation in East Asia have for U.S. policy?

Ms. Terry. I do think that with President Yoon in office that there is an opportunity to reset this bilateral relationship that is quite important from U.S.'s perspective for our two key allies to be able to work together. There are domestic constraints. The reality is, you know, there is -- the public opinion in South Korea is still pretty anti-Japanese, so it is not going to be that easy or smooth. So we should not have such a high expectation. Our expectation should be tempered.

That said, I do think the Biden Administration understands the importance of it. Secretary Blinken is somebody under the
Obama Administration who regularly held meetings, trilateral meetings. So the priority is there, the focus, the emphasis is there.

I do think the first thing that South Korea and Japan should do is to normalize this intelligence-sharing agreement, General Security of Military Information Agreement, GSOMIA. That is to make it more -- intelligence-sharing a streamlined process without having to go through the U.S. every time. That will be very important.

And then the second part will be also the trilateral exercises. It will great if U.S., South Korea, and Japan can engage in trilateral exercises and ballistic missile defense. But, you know, again, I will just say our expectations should be somewhat tempered just because of the domestic constraints as --

Mrs. Wagner. I have exhausted my time. I have another question I will submit for the record having to do with South Korea and their support for the quad security partnership, but I will do that in writing.

And I thank you all, and I yield back, Mr. Chairman.

Mr. Kim of New Jersey. Thank you, Congresswoman.

We are going to turn it over to our colleague, Congresswoman Houlahan. Over to you for 5 minutes.

Ms. Houlahan. Thank you, Mr. Chair. Just making sure you
can hear me?

Mr. Kim of New Jersey. Yes, I can.

Ms. Houlahan. Excellent. And thank you to the folks here testifying in front of us. It has been a really interesting conversation. I am trying to make sure that I don't ask some of the same questions and may ask for a little bit of clarification. But one thing we haven't hit on yet is the effect of the Ukrainian conflict, the Ukrainian war, and whether or not that is going to create an opportunity for any sort of increased cooperation between Russia and North Korea.

Could Russia become a more significant economic lifeline for North Korea? And, if so, how would this affect the existing and future international sanctions and regimes -- sanction regimes, if these two countries are able and willing to be cooperating due to heavy sanctions placed on both of them by the West? And will they be able to come out stronger? And is there any indication that we have an over reliance on sanctions with our foreign -- within our foreign relations?

So I am not sure which one of you three is probably best suited to answer that question, but we have spent a lot of time talking about our own sanctions and also some of those of our allies. But I am intrigued to try to understand more about the implications of Russia.

Mr. Park. So if I can start with that question, I think
the response to your question is really through the lens of the marketplace. And if you look at some of the Russian cyber actors, who are coordinating very closely with the Russian government, from, you know, open source accounts they are not being paid.

And if you look at it, what you frame is, to approach it from a different angle, it looks like North Korean cyber actors can provide relief to some of the Russian partners here.

As Russia has been decoupled from the global economy -- and if you want to talk about pressure, this is a classic textbook case of how to do it -- the Russians are looking for different avenues and different areas of trying to adjust to these realities.

And so number 1 is they are guns for hire essentially. If you look at some of these Russian actors, a large number of them link to criminal organizations. Having this access to North Korean counterparts on things like cyber theft or trying to convert, you know, cryptocurrency into fiat, there are some very unique partnerships I think we have to monitor very closely.

Number 2. In this marketplace, the other area that I think is interesting, if you want a substantial and meaningful avenue for pressure, this is it. The pressure that we have in terms of the economic pressure campaign on Russian targets, if you can link them to North Korean actors, that is how you professionally
unleash pressure.

And so there are a number of challenges and opportunities, but they are all in play right now, and I think the marketplace lens can be very helpful.

Thank you.

Ms. Houlahan. So before I let you go, I am really interested in it, if you could kind of give a little bit of an example of what you are talking about in terms of these pressure points, because I was also intrigued by some of the words that you used in your opening statement specific to North Korea.

You said that they had become resilient to any sorts of sanctions, and in some ways, you know, Russia has the opportunity, as you mentioned, to sort of learn from how the North Koreans have been able to navigate this.

Can you give some examples in terms of the interrelationship between Russia cyber actors and North Korean cyber actors and, you know, who is on the giving and taking end of that? So that, you know, what can Congress do about that? What should I be doing about that? With the remainder of our time together.

Mr. Park. Sure. Thank you for that. I would like to highlight a report that one of our associates wrote, Alex O'Neill, who wrote a book looking at essentially criminal -- "cyber criminal state craft" is the term that he has come up.

He did a very thorough investigation and through the open
source of Russian criminal organizations and how they have been very effective partners for North Korean cyber actors. So I will draw your attention to that.

But I wanted to very briefly mention the game changer aspect of what has happened with North Korean actors here in terms of the sanctions, the resilience that you reference. It is the migration into the Chinese marketplace. That is just the brutal reality on the ground. That is the diagnosis.

So as much as we want to increase pressure and more sanctions, and I agree with Dr. Lee in terms of there is a lot more room, and there is many more sanctions that you can apply on the North Korean actors. The moment they go into the Chinese marketplace, and literally physically the Chinese economy, you are dealing with a great wall of sovereignty. If you are going to go after those targets, you are going to have to consider the broader scope of how you are going to do this.

And this is where the Russia playbook is instructive because we have decoupled the Russian economy from the global economy. That is the level that we have to think about if we are going to do that. So there are consequences and considerations. It is not to say that we can't do it, but there are a host of unintended consequences that we have to figure out as well.

The final thing I would mention is with respect to the Russia-North Korea piece of it, capability-wise what the North
Koreans seek is not in the Russian marketplace. It is in the Chinese marketplace. Dual-use components, banned items, that is on offer in China and can be readily procured and brought back to North Korea.

But there is a political and almost a social type of interaction between the Russians and the North Koreans that I think introduces this element that there is a lot more the two parties can do in the cyber domain. And that is the area that I think there is going to be a lot more action and an area that we have to be much more vigilant about.


Mr. Kim of New Jersey. No worries there, Congresswoman Houlahan. Thank you for your questions.

We are going to turn it over to Congressman Barr now. Over to you.

Mr. Barr. Thank you, Mr. Chairman. And thanks to all the witnesses for the testimony.

Dr. Park, let me pick up right where you left off. And I want to drill down on this -- this observation that the CCP has granted the Kim regime access to the Chinese marketplace as a way for North Korea to evade sanctions.

In the fiscal year 2020 NDAA, that legislation included my legislation, my bill, the Otto Warmbier North Korea Nuclear
Sanctions Act. That imposed the toughest economic sanctions ever directed at North Korea, designed to cut off Pyongyang's ability to earn hard currency through not just North Korean laborers working abroad, but secondary sanctions against foreign banks that facilitated illicit transactions with North Korea that enabled North Korea to continue to finance its nuclear and ballistic missile programs.

Despite these sanctions, you note that these Chinese firms are helping North Korea circumvent U.S. sanctions.

Dr. Park, what type of firms are these that are helping prop up the North Korean economy? Are we talking about Chinese banks? Are they really firms that do not have financial ties to the United States?

I thought that this legislation was going to force Chinese banks to make a choice: either do business with North Korea or do business with the international financial system. Is that not -- is that choice not taking place? Are we not imposing those secondary sanctions? What is going on?

Mr. Park. Congressman, first off, it is great to see you again, and thank you for your chairmanship. I had the opportunity and great pleasure to testify when you were on the House Financial Services Subcommittee. So it is great to see you again.

Mr. Barr. Good to see you.

Mr. Park. With respect to what you mentioned, I think if
we look at the primary impact space, your legislation had impact.
That definitely got the best of breed Chinese banks and companies
out of this business. They saw that risk-reward. It wasn't
worthwhile to do business with North Korean clients, and so they
had almost a self, you know, censoring and self-monitoring.

And if you think about the compliance industry, they
unleashed their compliance departments to make sure there were
no North Korean accounts, because they have business abroad and
they have bigger fish to fry.

But it is this local level -- the local level -- and as we
heard earlier, local level Chinese banks and companies that are
part of local criminal syndicates in key parts of China, where
the secondary effects of these seven measures is that as much
as certain North Korean clients become radioactive, no one wants
to do business with them, the more you go at the local level they
will be more willing participants who translate that risk of
getting caught and punishment into a higher commission fee.

And so there is that adaptation that is going on that we
have to monitor very closely, because I do think there are
approaches that we can pursue. And previous to a situation where
we see a very difficult U.S.-China relationship -- you know,
during previous administrations when there were some dialogues
going on between the Chinese and the United States, there was
a law enforcement angle to this.
Because if you look at it, the North Koreans are counterfeiting Chinese national currency. They were a threat to Chinese economic security, and so there were angles of cooperation. But, you know, as other things developed, in the state that we are and a much larger type of challenge with China, those type of opportunities aren't on the table right now.

Mr. Barr. Dr. Park, as a follow up, is this a matter of OFAC not reaching down to those local Chinese financial institutions? Or is it just disregarding because they don't have any international counter party relationships that would be subject to those secondary sanctions?

Mr. Park. I do think that, you know, colleagues at institutes like the Center for Advanced Defense Studies, C4ADS, they have unleashed data analytics. And they can ascertain one degree of separation in terms of some of these business activities. And so they have been able to compile a lot of good information that is actionable, and that has been a part of feeding into USG.

But what ends up happening at such a local level is that in using local Chinese companies, using all of their bona fides, all of their legitimate licenses, and so forth, it becomes something where one, two, three degrees of separation, you essentially have North Korean -- they are, frankly, diplomats who are abusing their privileges and their diplomatic
credentials, doing the business and outsourcing a lot of the
activities.

Mr. Barr. Let me just in the final minutes -- petroleum
imports above UN Security Council limits are sanctionable under
Warmbier. Chartering, insuring, and registering a ship that is
crewed by a North Korean person is sanctionable under Warmbier.

These are authorities that Congress has given the
Administration. Are we seeing the Biden Administration actually
using them?

Mr. Park. I have not seen any reports, but I think an example
of effectiveness of what you are mentioning here is the whole
category of asset forfeitures. And in doing that, and
particularly commercial vessels and monetizing and selling the
vessel, and then using that as a means of compensation, I think
that is an enormously effective tool.

And so that is something that it is an area that there is
a lot of more room for doing that, and that is an area where I
think you use the marketplace in a very effective fashion, because
it is the proceeds from the sale of that, you know, seized, that
forfeited asset, that essentially becomes a part of meaningful
realization of this legislation.

Mr. Barr. Thank you. I yield.

Mr. Park. Thank you.

Mr. Kim of New Jersey. Thank you. We are going to turn
now to Congresswoman Young Kim. Over to you for 5 minutes.

Mrs. Kim of California. Thank you very much. And I want to thank our witnesses for joining us today. Good to see you.

I want to start out by saying that we have to deal with North Korea we have today, not the one we want. Provocative actions from the Kim regime over the last 7 years, especially the last 2 years, have consistently demonstrated to the world North Korea's intentions to divide the United States and South Korea and rule through fear and oppression at home.

We cannot make the mistake of viewing the recent missile launches by North Korea as cries for attention from an unstable leader. North Korea learns from each launch as it pours increased resources into the development of more advanced weapons through bully concessions from its neighbors and threatened attacks on the South.

However, more than sanctions and troop deployments, what the Kim family has always feared the most has been the people and their power to overthrow the government. To maintain their authority, the Kims have brutalized and tortured their own people for decades, denying them basic human rights -- warfare -- as a matter of national security.

It is for these reasons I have worked in Congress to promote freedom of information to North Korea and recently introduced North Korean Human Rights Reauthorization Act of 2022. This will
reauthorize and update programming supporting human rights, refugees, and broadcasting operations.

So I have a question for each of our witnesses, and I hope we have time to get through all of that. First, to Professor Lee, can you please explain the state of information operations into North Korea in 2022? Has the willingness of the North Korean people to tolerate the Kim regime been impacted by the COVID-19 pandemic and recent economic hardships? If so, how can the United States and South Korea use these circumstances to change the status quo?

Mr. Lee. Thank you, Congresswoman Kim. I am afraid last year, in 2021, we have had the fewest number of North Korean defectors resettle in the South -- fewer than 50 -- and that speaks of, I suppose, terribly efficient job that the regime has done in sealing the border and cracking down on the universal freedom of movement.

In terms of information dissemination into North Korea, well, we know that American entities like Voice of America and Radio Free Asia do much good work, but the funding is quite modest. Not to make comparisons -- every effort is important -- but North Korea, because the UN alleges it is the world leader, the unparalleled violator of human rights in the world, I would suggest that increasing the funds for VOA and RFA --

Mrs. Kim of California. Thank you. I hear you clearly.
Mr. Lee. Thank you.

Mrs. Kim of California. Thank you. And that is a part of the North Korean Human Rights Reauthorization Act.

Dr. Terry, would you please touch on how North Korea views China? Are they viewed as an irreplaceable ally or a necessary evil? Does United States competition with China provide any openings for North Korea policy to become more flexible?

Ms. Terry. I think China-North Korea relationship is very complicated one. They used to have a genuine alliance, blood alliance, until Kim Il Sung lost his only son in the Korean War.

But I -- so to answer your question, I think it is a necessary evil. And you -- even from Xi Jinping's perspective, too, like he hasn't even -- until President Trump turned to symmetry and diplomacy, he hasn't met with Kim Jong-un, although he met with South Korean president. So that relationship is a difficult one, a rocky one, but you still -- they still have to rely on each other, because 90 percent of North Korea's trade is still with China, right? 45 percent of consumer goods come from China; 75 percent actually.

So, but is there a space for us to get in? I think it is that -- I think it is very difficult at this moment. Just because of U.S.-China competition or so, China is not willing to really also help us on the North Korea front. China and Russia is -- they couldn't even implement or just agree to additional sanctions
after ICBM launch just recently. They couldn't even condemn the launch. So I think it is very difficult for us.

Mrs. Kim of California. Thank you. I would like to put in one question -- I know we are going to go over time -- but to Dr. Park. Over the past few years, especially we have seen a significant number of North Korean refugees repatriated by China back to North Korea, and we know what happens when they are repatriated.

So how do you believe a change in administration in South Korea and rising U.S.-China competition will affect that issue? And, further, what would you suggest as the best approach to getting these refugees from detainment in China to South Korea?

Mr. Park. Thank you very much for your question, Congresswoman Kim. I do believe right now, given the state of the self-imposed quarantine, this type of issue isn't at the forefront as it once was. But it can certainly come back as we see eventually, not anytime soon, but eventually the reopening of certain parts of the border there.

I look at the Yoon administration, and it is a group that is much more forward-leaning and concerned about human rights. And I think when it comes to these type of issues, you are not going to see any holding back of punches, and certainly more of a bilateral and multilateral approach to advocating for North Korean human rights.
And so this is an area where I do think there will be more partnership and more activity.

Mrs. Kim of California. Thank you very much, and I yield back.

Mr. Kim of New Jersey. Thank you. That concludes the question part of our hearing. I want to thank my colleagues for their very interesting questions, and thank the witnesses for your responses here.

I will just say a few words before we close here. I just want to thank, again, our witnesses for coming here and being able to do this hearing, for us to be able to do it in person, and get back to this business that we are doing.

Obviously, we all are recognizing the incredibly important moment that we are in, you know, because this could very much be an inflection point as we have a new administration coming into South Korea, some opportunities here to really think through as we proceed through this pandemic and think through all of the challenges that are there, but certainly facing the provocations of North Korea as they are trying to assert themselves in this moment.

Today's hearing has been a great opportunity to ensure this topic stays at the forefront of our conversations when it comes to the Asia Region, but globally as a whole. And I hope to continue to work with the witnesses, as well as the other members
of this subcommittee, to make sure that we are moving forward with our shared goals for peace on the Korean Peninsula.

I would also like to emphasize the importance that we highlight this issue now as we have the impending President Biden trip to South Korea and with the new administration in South Korea. I know all of us want to see this partnership continue to thrive. We all want the new president, President Yoon, and his administration to be successful.

And we will continue to work with all of the tools at our disposal -- the State Department, the Department of Defense, and elsewhere -- to ensure that our alliance remains as strong as humanly possible economically, militarily, and diplomatically. This alliance remains one of America's strongest in the world and is central to overcoming the threat posed by North Korea's reckless behavior.

With that, we will start to bring this to a close. Thank you again to our witnesses and to the members who participated in this hearing.

The hearing is now adjourned.

[Whereupon, at 5:42 p.m., the subcommittee was adjourned.]